

# Arizona Public School Credit Eligibility Board

**November 2, 2017**

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**1** Office of the Governor



# Acknowledgment of October 18, 2017 Minutes

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2 Office of the Governor



# Staff Reports

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**3** Office of the Governor



# Dashboard

## 4 Office of the Governor



**Table 1: Guaranteed Financings Outstanding or Approved**

Applicant/Borrower	Date Approved	Approved Amount	Date Issued	Description	Guaranteed Amount Issued	Maturity Dates	Interest Rates	Underlying Credit Rating	Enhanced Credit Rating	Principal and Interest Due in FY 2018	Use of Proceeds	Principal Outstanding
Academy of Math and Science	4/25/2017	\$24,808,821	7/6/2017	Series 2017A	\$23,465,000	2018 - 2052	4% - 5%	BB	AA-	\$565,250	New construction and refinancing	\$23,465,000
Arizona Agribusiness and Equine Center <sup>1</sup>	4/25/2017										New construction	
Great Hearts	6/1/2017	\$35,970,811	7/13/2017	Series 2017A and Series 2017B	\$34,240,000	2018 - 2052	2% - 5%	BBB-	AA-	\$672,893	New construction and refinancing	\$34,240,000
BASIS <sup>2</sup>	8/3/2017	\$53,344,683									New construction	
American Leadership Academy <sup>3</sup>	10/18/2017	\$14,000,000									Acquisition and new construction	
Arizona Agribusiness and Equine Center <sup>3</sup>	10/18/2017	\$17,000,000									New construction	
Great Hearts <sup>3</sup>	10/18/2017	\$19,500,000									Acquisition and new construction	
<b>Total</b>		<b>\$164,624,315</b>			<b>\$57,705,000</b>							<b>\$57,705,000</b>

<sup>1</sup>The applicant was approved for up to \$16,968,531, but was not able to issue guaranteed bonds before the approval expired and submitted a new application that was approved on 10/18/2017.

<sup>2</sup>Financing had been approved, but not yet issued on 9/30/2017. BASIS issued \$3,830,000 guaranteed bonds on 10/17/2017.

<sup>3</sup>Financing was approved on 10/18/2017 and has not yet been issued.

#### **Fund Balance and Statutory Ratios**

Total Principal Amount of Outstanding Guaranteed Financings	Enhancement Fund Balance	Leverage Ratio (maximum 3.5:1)	Total Principal with Underlying Rating Lower Than BB-	% of Guaranteed Principal with Underlying Rating Lower Than BB-
\$57,705,000	\$104,545,246	0.55	\$0	0%

**Table 2 : Application Summary**

Applicant	Date Received	Application Complete?	Total Principal	New	Refunding	Estimated Underlying Rating	Additional Seats Created	Geographic Location	% Free or Reduced Lunch	Personal Benefit Disclosed?	Deadline to confirm complete	Deadline to approve	Status
Academy of Math and Sciences	3/23/2017	Yes	\$35.2M	\$21.5M	\$13.7M	BB	1,000	Phoenix/Tucson	71.5% to 95.9%	Yes	4/22/2017	6/12/2017	Closed
Arizona Agribusiness and Equine Center	3/15/2017	Yes	\$36.1M	\$17.0M	\$19.1M	BB+	560	Phoenix	9.3% to 67.6%	No	4/14/2017	6/12/2017	Finalizing Terms
Great Hearts	4/26/2017	Yes	\$35.9M	\$16.0M	\$19.9M	BBB-	1,086	Phoenix	13% to 72%	No	5/26/2017	7/14/2017	Closed
American Leadership Academy	5/4/2017	Yes	-	-	-	-	-	-	-	-	-	No	Open - Pending Revisions by Applicant
BASIS Schools, Inc.	6/22/2017	Yes	\$71.4M	\$61.2M	\$10.2M	BB	3,003	Statewide	-	No	7/22/2017	8/26/2017	Open

# **Review and Action of Application #8 BASIS Schools, Inc.**



# BASIS Schools, Inc.

\$38.2 million in new debt that will be used for new construction, expansion, and improvements

## Total Request



# BASIS Schools, Inc.

- Expand student capacity by 1,680 students
- \$15.3 million for construction and renovations that will enable BASIS to open the 750-student BASIS Phoenix Primary and expand the capacity of BASIS Phoenix by 230 students
- \$21.6 million will be used to expand the capacity of BASIS Flagstaff, BASIS Goodyear, and BASIS Mesa by 200 students each
- \$1.3 million will be used to build an indoor play room, bathrooms, and storage at BASIS phoenix South Primary

## Impact of Proposed Financing



# BASIS Schools, Inc.

- BASIS Schools, Inc. meets the Board criteria for conditional approval for credit enhancement
- Underlying credit rating of BB in September

## Eligibility for Credit Enhancement



# BASIS Schools, Inc.

- If approved as submitted, approximately 11% of the program's total capacity will be used to enhance the financing
- 12% of the program's total capacity will be used to enhance BASIS's financings
- The program would remain in compliance with the maximum program leverage and credit rating ratios

## Impact on Credit Enhancement Program



# BASIS Schools, Inc.

**The following three options are available for the Board to consider regarding BASIS Schools, Inc. application to the Public School Credit Enhancement Program:**

1. Approval of credit enhancement for the full amount of the proposed financing of \$38.2 million.
2. Approval of credit enhancement for an amount that is less than the full amount the proposed financing
3. Denial of credit enhancement for any portion of the proposed financing.

## Recommendation



## BASIS Schools, Inc.

Education redefined

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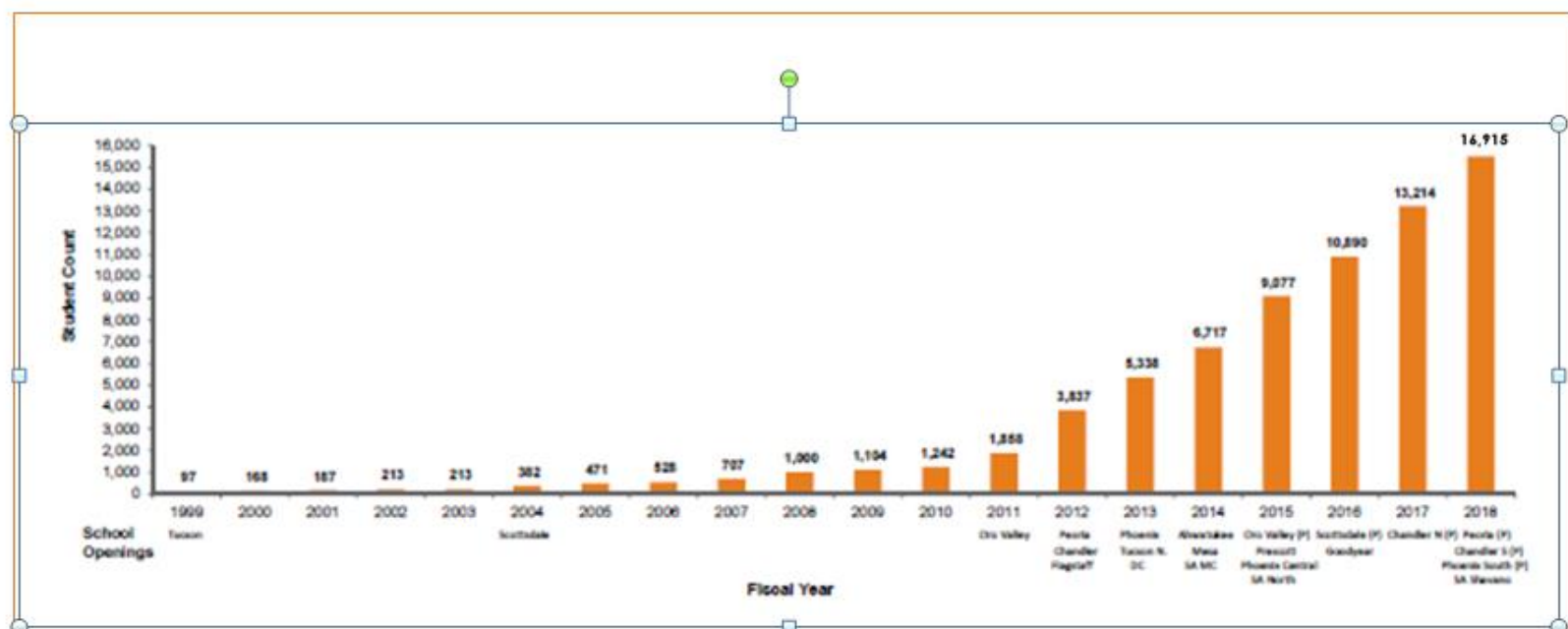
**The mission of BASIS charter schools is to empower students to achieve at globally competitive levels with a transformative K-12 academic program.**

We want what you want: the widest range of options that quality education can open.



## History

- Founded in Tucson in 1998
- 20 campuses in Arizona
- 16,915 K-12 students in Arizona
- 1400 teachers and staff
- 7,947 student on waitlist





## Curriculum

- Liberal arts curriculum
- Strong foundation in writing and history
- Accelerated math & science
- Unlimited student progress potential
- Mastery through comprehensive exams
- College coursework exposure (AP)
- Two degreed teachers in primary classrooms
- Teaching foundational knowledge and instilling a love of learning

## Achievements

U.S. News and World Report High School Ranking  
 BASIS Scottsdale **1st in Nation**, 2017  
 BASIS Tucson North **2nd in Nation**, 2017  
 BASIS Oro Valley **3rd in Nation**, 2017  
 BASIS Peoria 5th in Nation, 2017  
 BASIS Chandler 7th in Nation, 2017

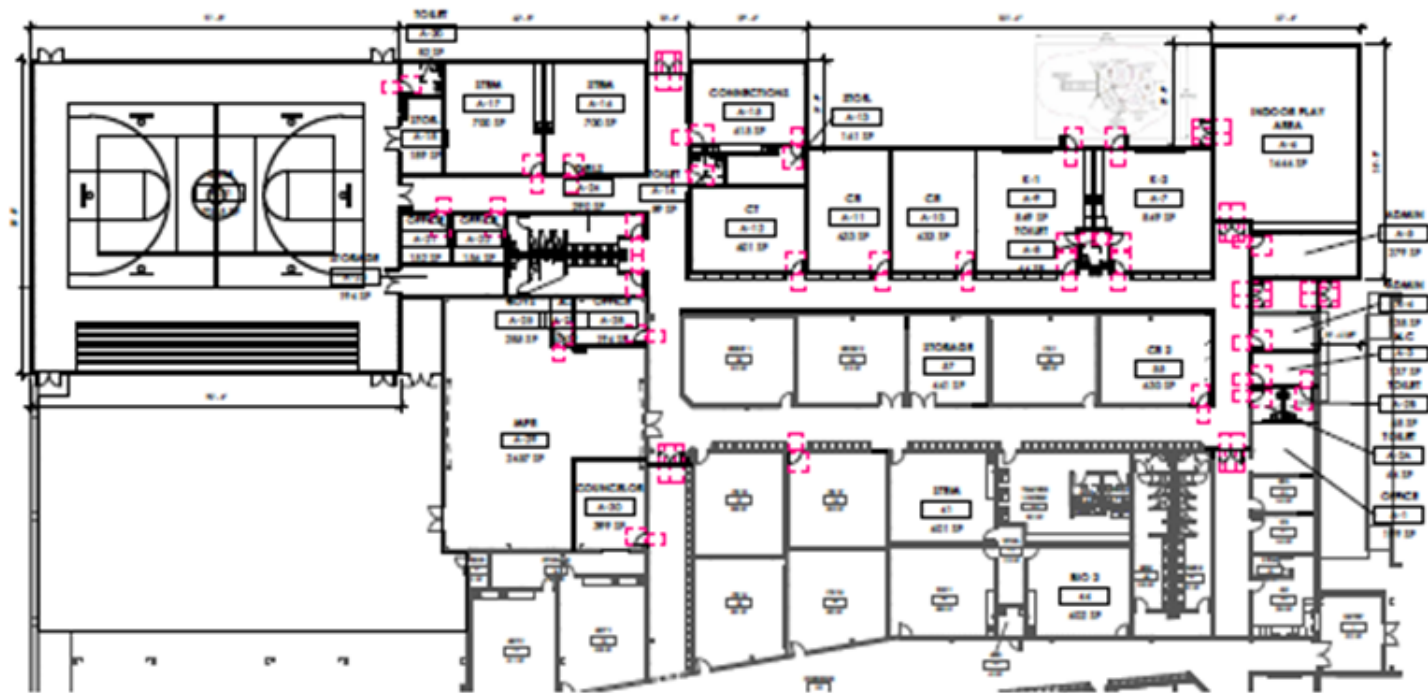
Washington Post, Most Challenging High Schools  
 BASIS Oro Valley, **1st in Nation**, 2016  
 BASIS Flagstaff, **2nd in Nation**, 2016  
 BASIS Tucson North, 5th in Nation, 2016  
 BASIS Scottsdale, BASIS Chandler, and BASIS Peoria, Top-Performing Schools with Elite Students

We improve even as we grow!

## Purpose of Funds

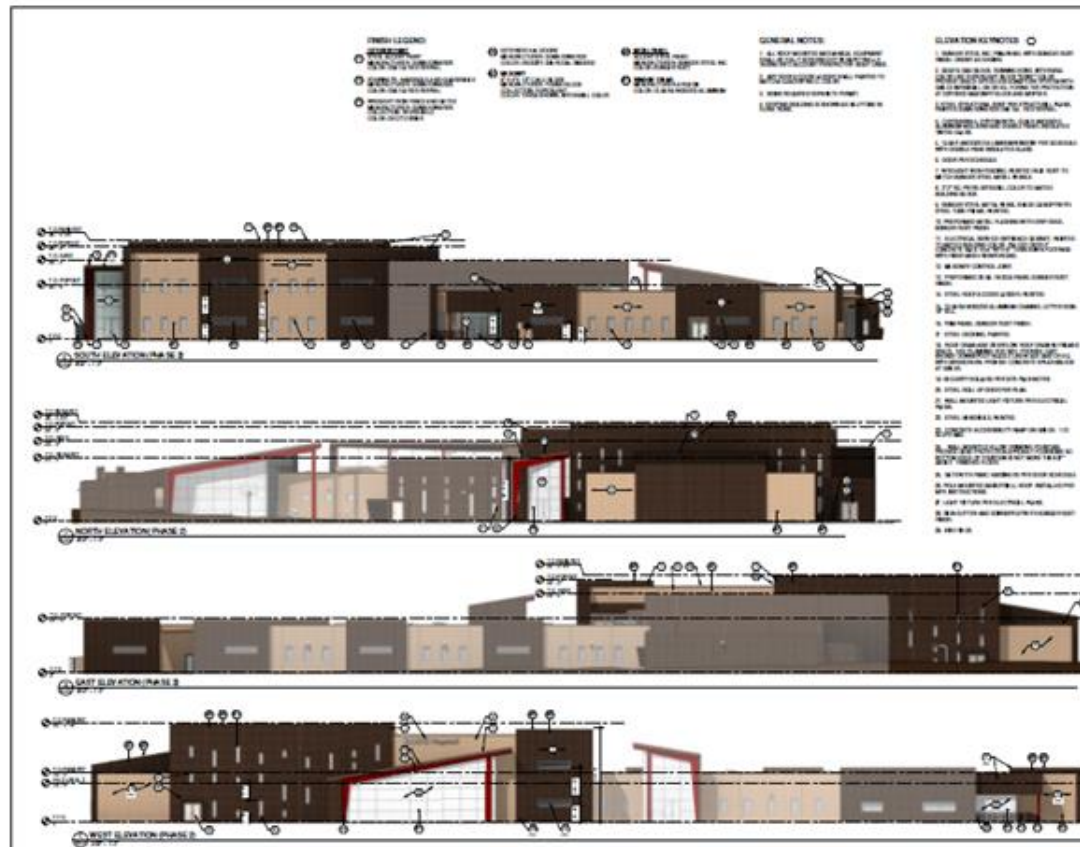
**Mesa**, renovation adding a 18,000 square-foot, single-story building on approximately 1 acre of land located at 5100 S. Eastmark Pkwy in Mesa.

This is an increase of 3,000 square feet from our original request to accommodate growing high school population, still providing 200 students in grades K-2 opening fall 2018.



**Flagstaff**, renovation and addition of over 30,000 square-foot, two-story building on approximately 2 acres of land located at 1700 North Gemini Dr., Flagstaff.

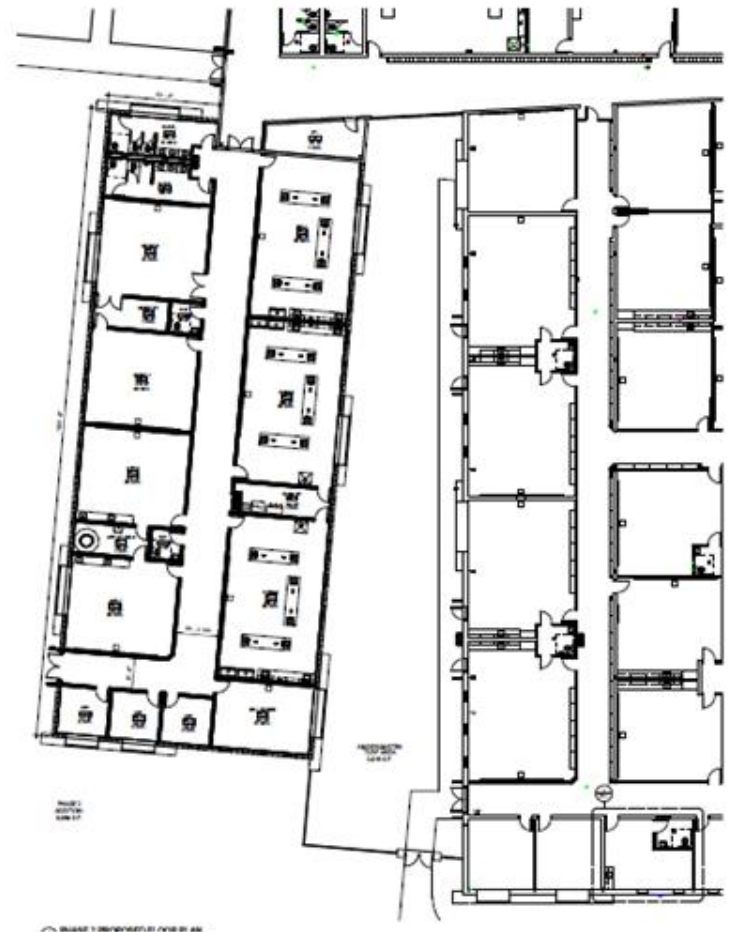
This is an increase of 3,500 square feet from our original request, still providing 200 students in grades K-2 opening in August 2018 and replacing 4 outdated modular buildings.



## Purpose of Funds

**Goodyear**, renovation of current space and adding 20,000 square feet to an existing building to accommodate a growing and aging population with high school labs and instructional facilities at existing site.

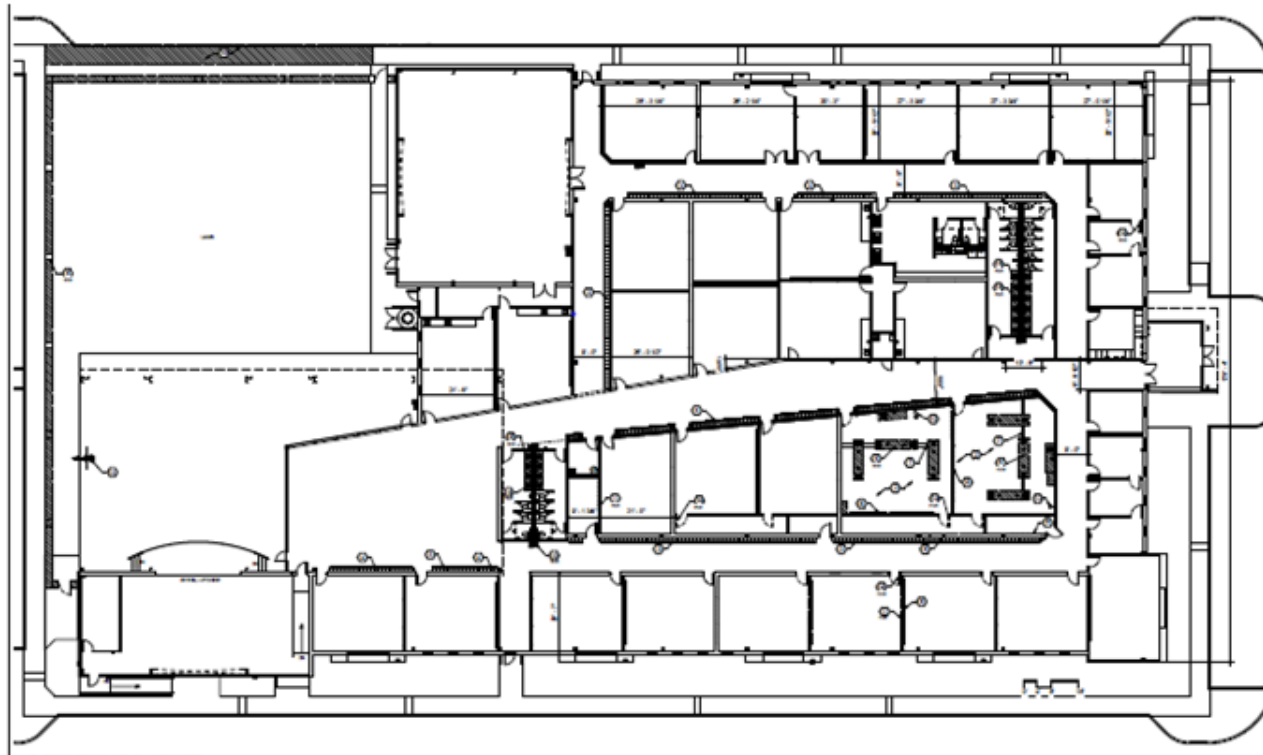
This project scope has not changed from our original request. We will add 100 students immediately, and 100 more over the next five years.



# Purpose of Funds

**Phoenix Primary**, a renovation of existing building at 32<sup>nd</sup> street designed to serve 750 kids in grades K-5. The original request was scheduled to accommodate only K-4. The adjusted feeding pattern has increased the costs of this project.

**Phoenix**, moving to a new location on the campus of Dream City Church, adding a 15,000 square foot building and 230 students. Our original request accommodated only 100 additional students.



## Purpose of Funds



**Phoenix South**, adding approximately 3,000 square foot addition for three classrooms to meet both the unexpected demand and provide adequate space for individualized instruction.

This is an addition of 1,000 square feet from our original request and includes an outdoor shade structure.

## Helping Arizona



### Adding Quality Seats

Adds 1,680 students

Reduces the waitlist while sustaining quality of program offering

Has a direct benefit to 7 schools for increased capacity and improved facilities

# Public Comments



# Adjourn

